

EXHIBIT 9

EY

EY banned by German audit watchdog over Wirecard work

Big Four firm cannot take on listed companies as new clients for two years



EY was fined €500,000 by audit watchdog Apas. Five of the Big Four firm's current and former employees were also fined © Simon Dawson/Bloomberg

Olaf Storbeck APRIL 3 2023

EY has been banned from taking on any new listed audit clients in Germany for two years over failures in its work for collapsed payments company Wirecard.

The landmark ruling by the country's audit watchdog Apas also announced a fine of €500,000 for EY and of between €23,000 and €300,000 for each of five current and former employees of the Big Four firm.

In a statement on Monday morning, Apas said it “considered violations of professional duties during the audits of Wirecard and Wirecard Bank from 2016 to 2018 as proven”, without giving further details of the violations.

According to people familiar with the regulator's thinking, there has not been a formal decision about whether [EY](#) acted with intent or just with negligence, which will be a key question in deciding the firm's criminal and civil liabilities.

A message sent to EY partners today by top executive Andy Baldwin, seen by the Financial Times, called the sanctions “severe”.

“This has been a deeply challenging chapter for our organization, and for EY Germany in particular,” he said, adding: “It is not an audit EY Germany is proud of.”

Konrad Duffy, a white-collar crime expert at German consumer lobby group Finanzwende, commented: “This penalty sends a clear message.” He added that the regulator had for a long time been too soft on [Wirecard](#) and should act “more decisively”.

“The two-year ban is quite a severe sanction which we have not seen before in Germany,” said Klaus-Peter Naumann, chair of Germany’s Institute of Public Auditors IDW.

In the wake of the scandal, Germany increased liabilities for all auditors and increased its regulation of the industry.

Apas and Germany’s financial watchdog BaFin have been given more powers and the government has doubled the maximum penalty for professional misconduct to €1mn.

After Wirecard’s collapse in 2020, Apas filed a criminal complaint against several EY audit partners, citing evidence that the firm may have knowingly issued factually incorrect audit opinions. Prosecutors are investigating the matter but have not yet filed any charges.

The presiding judge in the ongoing criminal case against former Wirecard boss [Markus Braun](#) and two other senior executives has criticised EY for allegedly failing to act on evidence of fraud at the German payments group.

Wirecard [collapsed into insolvency](#) in June 2020 in one of Europe’s largest postwar accounting scandals, after disclosing that half of its revenue and €1.9bn in corporate cash did not exist. It had received unqualified audits from EY for more than a decade.

EY Germany said in a statement that it would examine the Apas decision “carefully” but had not yet received the detailed legal conclusion.

“We regret that the collusive fraud at Wirecard was not discovered sooner, and we have learned important lessons from this matter,” the firm said, adding that it had taken “significant action” to improve its audit quality and risk management.

It has also put a new management team in place and introduced extra controls. “EY Germany is a different organization today,” the firm said, adding that it fully co-operated with Apas on the investigation.

Hansrudi Lenz, a retired accounting professor at Würzburg university, welcomed the Apas ban. “It will further significantly impair EY’s reputation,” he said, adding that he believed the combination of fine and ban would act as a warning and improve audit quality more generally.

Initially, 12 current and former EY audit employees were targeted by Apas, but seven of them resigned from the profession and handed back their licences. This means the regulator cannot impose sanctions on them.

The firm lost several large audit clients in the wake of the scandal, including Commerzbank, DWS and KfW, and has not won any significant new mandates recently. It said in January it was planning to [cut staff in Germany](#) as part of efforts to improve profitability.

The Apas decision was first reported by Handelsblatt.

Additional reporting by Michael O’Dwyer

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